

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
to Address its Current Overcollection in its
Energy Resource Recovery Account (ERRA).

(U 39 E)

Application 05-07-013
(Filed July 15, 2005)

**OPINION ON ENERGY RESOURCE
RECOVERY ACCOUNT****1. Summary**

Pacific Gas and Electric Company (PG&E) proposes there be no change to its generation rate component. As of June 30, 2005, PG&E's Energy Resource Recovery Account (ERRA) shows an overcollection of \$188.7 million or 4.94% of the prior year's recorded revenues, excluding revenues collected for Department of Water Resources (DWR). PG&E states that its DWR revenue requirement will increase substantially in 2006. Therefore, rather than decrease rates on October 1, 2005, and increase rates on January 1, 2006, PG&E believes no rate change is preferable as it would provide smoother rates for its customers. Today's decision adopts PG&E's proposal. The matter is uncontested. This proceeding is closed.

2. Background

In Assembly Bill (AB) 57, the California state legislature established a trigger mechanism that would ensure that any overcollection or undercollection in the appropriate electric procurement balancing account does not exceed 5% of

a utility's recorded generation revenues, excluding DWR revenues, for the prior year (Pub. Util. Code § 454.5(d)(3)).

In Decision (D.) 02-10-062, the Commission adopted the AB 57 balancing account trigger mechanism for the California utilities. In that decision, the Commission directed the utilities to file an expedited "trigger" application for approval within 60 days of filing when the ERRA balance reaches or exceeds 4% of the prior year recorded generation revenues excluding DWR revenues. The application is to include a projected account balance in 60 days or more to illustrate when the balance will reach the 5% threshold. The application is also to propose an amortization period of not less than 90 days to ensure timely recovery of the projected ERRA balance. (*See* D.02-10-062, pp. 63-65, Conclusion of Law 15, and Ordering Paragraph 14.)

3. ERRA Balances

As of May 31, 2005, PG&E's recorded balance overcollection in its ERRA was \$179.9 million, or 4.71% of the prior year's recorded generation revenues, excluding revenues collected for DWR. As of June 30, 2005, PG&E's recorded balance overcollection in its ERRA was \$188.7 million, or 4.94% of the prior year's recorded generation revenues, excluding revenues collected for DWR. PG&E expects no further increase in the overcollection balance. Rather, PG&E forecasts that its ERRA balance overcollection will decrease through year-end 2005 to approximately \$110 million or 3% of the prior year's recorded generation revenues.

4. PG&E's Rate Proposal

PG&E proposes no ERRA rate change as part of this trigger application. Based on current ERRA cost and revenue forecast assumptions, PG&E projects that its ERRA balance overcollection will not exceed the 5% threshold level and

will unwind itself below the 4% trigger level in the normal course of business by year-end 2005.

Another reason why PG&E proposes no rate change is that generation rates, of which ERRA is a component, are expected to increase at the beginning 2006. While the 2006 ERRA rate component is expected to be similar to the current rate, PG&E anticipates that, based on 1) information published by DWR and 2) D.05-06-060 on the permanent allocation of the DWR's annual revenue requirement, its DWR revenue requirement will increase substantially in 2006. PG&E does not believe it makes sense to reduce the generation component of rates on October 1, 2005, when it anticipates a substantial rate increase in that rate component on January 1, 2006. PG&E believes its proposal in this trigger application would provide for smoother rates for its customers.

5. Discussion

We agree with PG&E's proposal that there be no change to its generation rate component at this time. As stated above, PG&E projects that its ERRA balance overcollection will not exceed the 5% threshold and will unwind itself below the 4% trigger level by year-end 2005. As PG&E says, it would not make sense to reduce rates on October 1, 2005, and then have to increase rates on January 1, 2006. Accordingly, PG&E's proposal should be adopted.

6. Categorization and Need for Hearings

In Resolution ALJ 176-3156 dated July 21, 2005, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary, and it is not necessary to disturb the preliminary determinations.

7. Comments on Draft Decision

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311 (g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

8. Assignment of Proceeding

John A. Bohn is the Assigned Commissioner and Bertram D. Patrick is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. A notice of the filing of the application appeared in the Daily Calendar on July 20, 2006.
2. There were no protests to this application.
3. A hearing is not required.
4. PG&E's ERRRA June 30, 2005 balance of \$188.7 million overcollection is approaching the 5% threshold mandated by AB 57. However, PG&E forecasts that the overcollection will unwind itself below the 4% level by year end 2005.
5. PG&E anticipates a substantial increase in generation component rates on January 1, 2006, to meet DWR revenue requirements.

Conclusion of Law

Rather than reduce rates on October 1, 2005, and then increase rates on January 1, 2006 to meet the anticipated increase in DWR revenue requirements, the public interest would be best served by allowing generation rates to remain level for that period. Accordingly, PG&E's rate proposal should be adopted.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company's proposal to not adjust generation rates in response to this Energy Resource Balancing Account trigger application, is adopted.

2. Application 05-07-013 is closed.

This order is effective today.

Dated _____, at San Francisco, California.